

Message Text

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PAGE 01 LONDON 10136 081813Z

70

ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 081759Z AUG 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2887

INFO AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMEMBASSY KUWAIT

C O N F I D E N T I A L LONDON 10136

EXDIS

E.O. 11652: XGDS-1

TAGS: ENRG, UK

SUBJECT: LONDON POLICY GROUP DECIDES ON MAINTAINING
PRO FORMA EXISTENCE

REF: RAICHT-KAUFMAN TELCON

1. LATE JULY MEETING OF LONDON POLICY GROUP WAS DREARY AFFAIR WHICH TOUCHED ON LITTLE OF SUBSTANCE. REPRESENTATIVES OF PARTICIPATING OIL COMPANIES DECIDED NOT TO TERMINATE GROUP'S EXISTENCE BUT GENERAL CONSENSUS WAS IT PROBABLY SHOULD REMAIN INACTIVE ON MIDDLE EAST OIL NEGOTIATION ISSUES, AT LEAST FOR FORESEEABLE FUTURE. PROBLEM OF INADEQUATE INTER-CONSORTIA COMMUNICATION OF INFORMATION CONCERNING THEIR SEPARATE PRICE NEGOTIATIONS WAS RAISED BUT NOT RESOLVED AND REFERRED MILBANK, TWEED FOR LEGAL ADVICE.

2. GROUP MEETING, ATTENDED BY NUMBER OF CHIEF EXECUTIVES OF MAJORS AND INDEPENDENTS, WAS STRONGLY INFLUENCED BY CURRENT PRODUCER AND CONSUMER STATE ATTITUDES. OPEC PRODUCERS DECISION OCTOBER 1973 TO UNILATERALLY DETERMINE CRUDE PRICES, WHICH HAS STOOD TEST OF TIME THUS FAR, HAS GRADUALLY UNDERMINED GROUP'S ORIGINAL RAISON D'ETRE TO CONCERT ON AN INDUSTRY-WIDE BASIS TO MEET OPEC DEMANDS
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FOR NEGOTIATED POSTED PRICE INCREASES. ON THE OTHER HAND,

CONCERN OVER ADVERSE, MISCONCEIVED REACTION TO ATTEMPTS AT COOPERATIVE INDUSTRY EFFORTS BY CONSUMER COUNTRY, ESPECIALLY US, PUBLIC, MEDIA AND GOVERNMENTAL OPINION HAS INDUCED ALMOST TOTAL PARALYSIS IN GROUP ACTIVITIES. MOOD OF CONGRESS AND FEAR OF ULTIMATE ANTI-TRUST ACTION ARE STRONG DETERRENTS TO MORE ACTIVE ROLE BY US COMPANIES.

3. ONE INDUSTRY SOURCE VOLUNTEERED THAT GROUP, IF ENCOURAGED, COULD CONTINUE TO SERVE A USEFUL FUNCTION. HE CITED "BUY-BACK" PRICE NEGOTIATIONS AS CASE IN POINT, NOTING THAT OIL INDUSTRY WOULD HAVE BEEN IN A BETTER POSITION TO INFLUENCE GULF OIL NEGOTIATING POSTURE IN KUWAIT IF LONDON POLICY GROUP HAD BEEN IN MORE THAN PRO FORMA OPERATION.

4. ANOTHER INDUSTRY SOURCE EMPHASIZED NEED FOR IMPROVED INTER-CONSORTIA COMMUNICATIONS FLOW IN PERIOD WHEN SERIES OF SEPARATE PRICE NEGOTIATIONS ARE TAKING PLACE WITH OPEC STATES. HE POINTED OUT OPEC PRODUCERS ARE INCREASINGLY EXCHANGING INFORMATION ON COURSE OF THEIR INDIVIDUAL NEGOTIATIONS WHILE INDUSTRY CONSORTIA ARE PROHIBITED FROM ENGAGING IN SUCH PRACTICE. HE SUGGESTED LONDON POLICY GROUP BE AUTHORIZED TO DEAL WITH THIS NEW SITUATION OR, ALTERNATIVELY IF THAT NOT POSSIBLE, THAT "MINI-LPGS" BE ESTABLISHED FOR THIS PURPOSE.

5. INDUSTRY REPS ALSO DISMISSED WITHOUT DEBATE A SUGGESTION MADE BY AN IRATE US INDEPENDENT THAT COMMON FRONT BE FORMED BY GROUP ON ISSUE OF HMG'S ANNOUNCED INTENTION TO SEEK MAJORITY NEGOTIATED INTEREST IN EXISTING NORTH SEA LICENSES.

6. COMMENT: NEXT CRUCIAL PRICE ISSUE MAY BE EVOLUTION OF SINGLE MARKET PRICE. EMBASSY WOULD APPRECIATE GUIDANCE AS TO WHETHER THIS MIGHT BE CONSIDERED OPEC-WIDE PROBLEM ON WHICH LONDON POLICY GROUP WOULD BE AUTHORIZED TO DEVELOP CONCERTED INDUSTRY POSITION.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PRICES, NEGOTIATIONS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON10136
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D740217-0729
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740864/aaaacdcq.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: RAICHT-KAUFMAN TELCON
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20-Jul-2001 by worrelsw>; APPROVED <27 FEB 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LONDON POLICY GROUP DECIDES ON MAINTAINING PRO FORMA EXISTENCE
TAGS: ENRG, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005